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State of Montana
Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

Financial-Compliance Audit for the
Two Fiscal Years Ended June 30, 1988

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This report contains two recommendations for improvement of the college operations. These recommendations address compliance governing:

- Use of the contingent revolving funds
- Disposal of surplus property

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1987 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

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STATE OF MONTANA

Office of the Legislative Auditor

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SCOTT A. SEACAT

LEGAL COUNSEL:
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MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

April 1989

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana College of Mineral Science and Technology including the Bureau of Mines for the two fiscal years ended June 30, 1988. The college's written response to audit recommendations is included in the back of the audit report.

We thank the president and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1988

Audit staff involved in this audit include: Jody Bisom, Renee Foster, Wayne Kedish, Jim Manning, Rich McRae, Chuck Nemec, and Bill O'Donnell.

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APPOINTED AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

		Term Expires
Stan Stephens, Governor*		1992
Nancy Keenan, Superintendent of Public Instruction*		1992
Dennis Lind, Chairman	Missoula	1996
Burt Hurwitz, Vice Chairman	White Sulphur Springs	1993
Beatrice McCarthy	Anaconda	1990
Elsie Redlin	Sidney	1991
Jim Kaze	Havre	1992
William Mathers	Miles City	1994
Lee Ann Riley, Student Regent	Dillon	1989

*Ex officio non-voting members

COMMISSIONER OF HIGHER EDUCATION

Carrol Krause	Commissioner of Higher Education
John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

ADMINISTRATION

Lindsay Norman	President
David Toppen	Vice President for Academic Affairs
John Hintz	Vice President for Administrative and Student Affairs
John Badovinac	Controller/Business Manager

SUMMARY OF AUDIT RECOMMENDATIONS

This list serves as a means of summarizing the recommendations contained in the report and the college's reply.

Page

Recommendation #1

The college use the contingent revolving account in compliance with state policy. 3

College Response: Concur. See page 26.

Recommendation #2

The college:

A. Comply with state law and notify the Surplus Property Bureau prior to disposal of state property. 4

College Response: Concur. See page 26.

B. Establish procedures to ensure the business office is notified of items ready for disposal. 4

College Response: Concur. See page 26.

INTRODUCTION

We performed a financial-compliance audit of Montana College of Mineral Science and Technology for the two fiscal years ended June 30, 1988. The objectives of our audit were to:

1. Determine if the college's financial statements present fairly the financial position and results of its operations as of June 30, 1988 and for the two fiscal years then ended.
2. Determine the college's compliance with applicable state and federal laws and regulations.
3. Make recommendations for improvement in the management and internal controls of the college.
4. Determine the status of prior audit recommendations.

This report contains two recommendations to the college. These recommendations address areas where the college can improve compliance with laws and regulations. In accordance with section 5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendations made in this report. Areas of concern deemed not to have a significant effect on the successful operations of the college are not specifically included in this report, but have been discussed with college management.

The previous financial-compliance audit of the college for the two fiscal years ending June 30, 1986 contained six recommendations still applicable to the college. The college implemented all of the prior audit recommendations.

BACKGROUND

Montana College of Mineral Science and Technology is one of fourteen institutions which comprise the Montana University System. The college is under the control and supervision of the Board of Regents of Higher Education. The 3rd Legislative Assembly established the college in 1893. It was initially called the Montana School of Mines, and in 1965, the name was changed to Montana College of Mineral Science and Technology.

The 1919 Legislative Assembly established the Montana Bureau of Mines and Geology as a department of the college. The bureau is charged with furthering the effective use of mineral resources through the investigation of the geology, production, treatment, and economics. The financial activity of the bureau is included in the college's records.

The college reported 283 full-time equivalent employees during fiscal year 1987-88. During fall semester of fiscal year 1987-88 the college had 1,516 full-time equivalent students enrolled.

The college offers engineering degrees in the following areas: environmental, geological, geophysical, metallurgical, mineral processing, mining, petroleum, and science. The college also offers degrees in business administration, chemistry, computer science, mathematics, occupational safety and health, and society and technology.

The college is financed primarily by appropriations from the State's General Fund, the University Millage Account, and student fees. Revenue is also generated from federal grants, private gifts and grants, and auxiliary enterprise operations.

STATE COMPLIANCE

We reviewed selected state laws and regulations pertaining to the college. The following sections discuss state compliance issues we noted during the audit.

Contingent Revolving Fund

Section 17-2-201, MCA, allows the Department of Administration to authorize the establishment and maintenance of contingent revolving funds (CRF) for specific purposes. State policy provides that "a revolving cash account . . . is used to make disbursements where timing needs cannot be met by the state warrant system. The revolving cash account is to be used for purposes demanding immediate payment . . . Agencies should use their judgment in deciding whether a particular transaction qualifies as a minor, immediate or emergency payment. Under normal circumstances, transactions input to SBAS will generate a warrant for mailout or pick-up the next afternoon." This policy was developed to attempt to minimize the amount of cash and related activity in nontreasury accounts, while maintaining a system to pay for items on an emergency or immediate needs basis. If the moneys are in a treasury account, the state can maximize the investment earnings on these funds.

We reviewed the college's use of the CRF for the period covering September 21, 1987 through December 30, 1988. During this period the college wrote 1,255 checks totaling $625,580. We tested all CRF checks over $1,000. We noted 45 checks out of 134, amounting to $158,921 out of $430,534 tested, which did not comply with state policy. Some examples noted which did not require immediate payment, or are specifically prohibited by state policy include:

1. Payments to the post office for the bookstore postage meter and large quantities of stamps for resale.

2. Payments of travel advances for sport teams and staff travel even though not of an emergency nature.

3. Payment of public utilities and special improvement districts (SID) for the college.

4. Payment for computers for resale to students and faculty through the bookstore.

5. Payment to the campus security contractor, to meet its payroll.

College officials stated there is a verbal policy for using the CRF. In many cases the business office is not notified of upcoming events in time to utilize the state warrant system. To eliminate improper use of the CRF, as noted above, the college should establish and distribute a written policy outlining when payment from the CRF would be permitted.

RECOMMENDATION #1

We recommend the college use the contingent revolving account in compliance with state policy.

Surplus Property

Section 18-6-101, MCA, states the Department of Administration, Surplus Property Bureau, has the exclusive power to sell or otherwise dispose of equipment or furniture, not classified as fixtures, which is no longer needed by a state agency. State agencies are required to report surplus property to the Surplus Property Bureau which will authorize and direct the disposal of the property. The college did not comply with the law or state policies and procedures when it disposed of certain dormitory furniture.

During fiscal year 1985-86 the state contracted with a local construction company to renovate and remodel the dormitory. The majority of the old furniture was permanently attached to the building and properly classified as fixtures. The dormitory also included furniture. When this furniture was disposed of, Surplus Property Bureau was not properly notified. College personnel, stated that the furniture was disposed of in accordance with the contract specifications as understood by a college official.

In addition, the furniture was disposed of approximately six months before the business office was notified of the disposal for removal of the items from the

state's Property Accounting Management System. The college should establish procedures to ensure the business office is notified of items disposed of to allow the business office to maintain accurate accounting records.

RECOMMENDATION #2

We recommend the college:

A. **Comply with state law and notify the Surplus Property Bureau prior to disposal of state property.**

B. **Establish procedures to ensure the business office is notified of items ready for disposal.**

INDEPENDENT AUDITOR'S REPORT

AND COLLEGE FINANCIAL STATEMENTS

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report issued in this report is intended to convey to the reader of the financial statements the degree of reliance which can be placed on the amounts presented. The reader may rely on the fairness of the amounts presented in the statements shown on pages 7 through 24, when analyzing the college's operations.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

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JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Balance Sheet of Montana College of Mineral Science and Technology as of June 30, 1988, and the related Statements of Changes in Fund Balances and the Statements of Current Funds' Revenues, Expenditures, and Other Changes for each of the two fiscal years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana College of Mineral Science and Technology as of June 30, 1988, and the changes in its fund balances and the current funds' revenues, expenditures, and other changes for each of the two fiscal years then ended in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Facilities Refunding Revenue Bonds, Series A 1986, Schedule of Assets, Liabilities, and Fund Balance; Schedule of Changes in Fund Balances; and Schedule of Current Funds' Revenue and Expenditures as of and for the fiscal year ended June 30, 1988, and the Schedule of Full-Time Equivalent Students for the two fiscal years ended June 30, 1988, are presented as supplemental information and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our examination of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

March 9, 1989

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
BALANCE SHEET
JUNE 30, 1988

ASSETS

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
N HAND AND IN BANK	$ 25,240				$ 5,234				$ 732	
N DEPOSIT WITH E TREASURER	314,106	$217,471	$ 26,150	$ 14,241	4,179	$ 46	$ 58,857	$ 10,293		
ABLES:										
ENT LOANS RECEIVABLE					294,064		120,001			
UNTS RECEIVABLE	20,311	43,093	369,059	48,139				67,001		
UED INTEREST RECEIVABLE		16	62	10	23		13	79,268	17,420	
SFERS TO CONTRUCTION COUNT								104,199		
ALLOWANCE FOR DOUBTFUL ANS					(7,500)					
L RECEIVABLES	20,311	43,109	369,121	48,149	286,587	0	120,014	250,468	17,420	0
MENTS:										
BY TRUSTEES								600,000	600,400	
E OF MONTANA IVESTMENT POOL		78,900	132,000	50,800	115,600	176,400	57,614	107,200		
L INVESTMENTS	0	78,900	132,000	50,800	115,600	176,400	57,614	707,200	600,400	0
ASSETS:										
PAID EXPENSES AND VANCES	178,548	1,000		127	1,850					
NTORIES	60,077	17,413		362,330						
L OTHER ASSETS	238,625	18,413	0	362,457	1,850	0	0	0	0	0
ION (TO) OTHER FUNDS	(253,189)	(30,169)	(264,052)	18,445	682		572,842	(44,559)		
TY, PLANT & EQUIPMENT:										
)										$ 724,324
LDINGS										23,455,668
ROVEMENTS										2,381,693
IPMENT										9,567,945
NARY BOOKS										818,939
ANGIBLE ASSETS										218,010
)										14,669
AL PROPERTY, PLANT AND QUIPMENT	0	0	0	0	0	0	0	0	0	37,181,248
ASSETS	$ 345,093	$327,724	$ 263,219	$494,092	$414,132	$176,446	$809,327	$923,402	$618,552	$37,181,248

Continued next page

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
BALANCE SHEET
JUNE 30, 1988

LIABILITIES AND FUND BALANCES

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
LIABILITIES:										
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 130,231	$ 32,093	$43,528	$ 15,771			$625,190	$ 4,430		
COMPENSATED ABSENCES	637,033	31,334		12,071						
ACCRUED BOND INTEREST PAYABLE									$ 60,000	
OTHER LIABILITIES AND DEPOSITS		162		12,600			184,137			
UNEARNED REVENUES	93,199	230	53,432					11,088		
BONDS PAYABLE (Note 3)										$ 6,500,000
LONG TERM LEASE PAYMENT										252,178
TOTAL LIABILITIES	860,463	63,839	96,960	40,442	0	0	809,327	15,518	60,000	6,752,178
FUND BALANCES	(515,370)	263,885	166,259	453,650	$414,132	$176,446		907,884	558,552	30,429,070
TOTAL LIABILITIES AND FUND BALANCES	$ 345,093	$327,724	$263,219	$494,092	$414,132	$176,446	$809,327	$923,402	$618,552	$37,181,248

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1988

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES AND OTHER ADDITIONS:									
UNRESTRICTED FUND REVENUES -									
COLLEGE	$8,215,733	$622,826	$2,203,212	$1,282,326					
BUREAU OF MINES AND GEOLOGY	1,277,639								
LAND GRANT INCOME (Note 4)							$ 453,839		
RESTRICTED STUDENT FEES							181,178		
STATE APPROPRIATION							20,113		
FEDERAL CAPITAL CONTRIBUTIONS								$22,938	
INVESTMENT INCOME		7,022	13,794	4,258	$ 8,084		70,367	47,937	
INTEREST ON LOANS					4,235				
EXPENDED FOR PLANT FACILITIES									$944,064
PRIVATE GIFTS & DONATIONS						$9,600	51,206		
OTHER					544		8,518		56,671
DECREASE OF INDEBTEDNESS									127,415
TOTAL REVENUES AND OTHER ADDITIONS	9,493,372	629,848	2,217,006	1,286,584	12,863	9,600	785,221	70,875	1,128,150
EXPENDITURES AND OTHER DEDUCTIONS:									
EDUCATIONAL AND GENERAL EXPENDITURES -									
COLLEGE	8,250,784	626,998	2,007,198	1,191,034					
BUREAU OF MINES AND GEOLOGY	1,275,453								
INDIRECT COST RECOVERIES			121,679						
COMPENSATED ABSENCES	(12,775)	(876)		(595)					
LOAN CANCELLATIONS AND BAD DEBT EXPENSES					3,712				
COLLECTION COSTS					669				
EXPENDED FOR PLANT FAC.							485,704		
RETIREMENT OF INDEBTEDNESS								115,000	
INTEREST OF INDEBTEDNESS								480,261	
DISPOSAL OF PLANT FACILITIES									323,765
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	9,513,462	626,122	2,128,877	1,190,439	4,381	0	485,704	595,261	323,765

Continued next page

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1988

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
TRANSFER AMOUNT FUNDS -									
ADDITIONS (DEDUCTIONS):									
MANDATORY -									
FOR RETIREMENT OF INDEBTEDNESS							(530,105)	530,105	
VOLUNTARY TRANSFERS -									
RESTRICTED			5,051	(80,000)	(5,051)		80,000		
TOTAL TRANSFERS	0	0	5,051	(80,000)	(5,051)	0	(450,105)	530,105	0
NET INCREASE (DECREASE) IN FUND BALANCE	(20,090)	3,726	93,180	16,145	3,431	9,600	(150,588)	5,719	804,385
FUND BALANCE, BEG. OF YEAR	(495,280)	260,159	73,079	437,505	410,701	166,846	1,058,472	552,833	29,624,885
FUND BALANCE, END OF YEAR	$(515,370)	$263,885	$166,259	$453,650	$414,132	$176,446	$ 907,884	$558,552	$30,429,070
FUND BALANCE CONSISTS OF:									
UNRESTRICTED - COLLEGE	$ 108,482			$465,721					
BUREAU OF MINES & GEOLOGY	13,181								
COMPENSATED ABSENCES	(637,033)	$(31,334)		(12,071)					
DESIGNATED		295,219			$ 81,076				
QUASI ENDOWMENT						$ 18,000			
ENDOWMENT									
RESTRICTED			$166,259		333,056	158,446	$ 907,884	$558,552	
NET INVESTMENT IN PLANT									$30,429,070
TOTAL FUND BALANCES	$(515,370)	$263,885	$166,259	$453,650	$414,132	$176,446	$ 907,884	$558,552	$30,429,070

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1988

	UNRESTRICTED GENERAL OPERATING FUND	DESIGNATED FUND	RESTRICTED FUND	AUXILIARIES FUND
REVENUES:				
TUITION AND FEES	$1,761,189			
STATE APPROPRIATIONS:				
COLLEGE	6,401,603			
BUREAU OF MINES AND GEOLOGY	1,231,672			
INDIRECT COST REVENUES	52,941			
FEDERAL GRANTS & CONTRACT			$1,122,966	
STATE GRANTS & CONTRACT			282,789	
PRIVATE GRANTS & CONTRACTS			601,443	
AUXILIARY ENTERPRISES				$1,286,584
SALES AND SERVICES:				
BUREAU OF MINES AND GEOLOGY	45,967			
DESIGNATED		$629,848		
TOTAL REVENUES	9,493,372	629,848	2,007,198	1,286,584
EXPENDITURES:				
INSTRUCTIONAL	4,189,767			
ORGANIZED RESEARCH	46,520		888,979	
ACADEMIC SUPPORT	502,074		188,461	
STUDENT SERVICES AND AID	1,085,824		89,362	
OPERATION AND MAINTENANCE OF PLANT	1,432,129			
INSTITUTIONAL SUPPORT	792,718	626,998		1,191,034
SCHOLARSHIPS AND FELLOWSHIPS	261,752		840,396	
RECOVERY FROM BUREAU OF MINES AND GEOLOGY	(60,000)			
	8,250,784	626,998	2,007,198	1,191,034
INDEPENDENT OPERATIONS:				
BUREAU OF MINES & GEOLOGY	1,215,453			
SERVICES PROVIDED BY COLLEGE	60,000			
COMPENSATED ABSENCES	(12,775)	(876)		(595)
TOTAL EXPENDITURES	9,513,462	626,122	2,007,198	1,190,439
TRANSFERS, INCREASE(DECREASE):				
VOLUNTARY TRANSFERS:				
RESTRICTED			5,051	(80,000)
EXCESS OF TRANSFERS TO REVENUE OVER RESTRICTED RECEIPTS			88,129	
TOTAL TRANSFERS	0	0	93,180	(80,000)
NET INCREASE (DECREASE) IN FUND BALANCE	$ (20,090)	$ 3,726	$ 93,180	$ 16,145

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1987

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUES AND OTHER ADDITIONS:									
UNRESTRICTED FUND REVENUES -									
COLLEGE	$8,269,888	$604,516	$2,009,355	$1,272,046					
BUREAU OF MINES AND GEOLOGY	1,434,609								
LAND GRANT INCOME (NOTE 4)							$470,739		
RESTRICTED STUDENT FEES							184,913		
STATE APPROPRIATION							$15,556		
FEDERAL CAPITAL CONTRIBUTIONS								$22,938	
INVESTMENT INCOME		4,266	5,097		$5,815	$ 350	58,979	41,827	
INTEREST ON LOANS					3,139				
EXPENDED FOR PLANT FACILITIES									$1,729,716
PRIVATE GIFTS & DONATIONS						5,060	450,000		384,424
OTHER							4,657		
TOTAL REVENUES AND OTHER ADDITIONS	9,704,497	608,782	2,014,452	1,272,046	8,954	5,410	1,684,844	64,765	2,114,140
EXPENDITURES AND OTHER DEDUCTIONS:									
EDUCATIONAL AND GENERAL EXPENDITURES -									
COLLEGE	8,238,285	$11,311	1,949,712	1,156,116					
BUREAU OF MINES AND GEOLOGY	1,424,688								
INDIRECT COST RECOVERIES			107,920						
COMPENSATED ABSENCES	37,164	790		2,076					
LOAN CANCELLATIONS AND BAD DEBT EXPENSES					4,223				
COLLECTION COSTS					756				
EXPENDED FOR PLANT FACILITIES							1,237,733		
RETIREMENT OF INDEBTEDNESS								130,000	
INCREASE OF INDEBTEDNESS									134,593
INTEREST OF INDEBTEDNESS								483,582	
DISPOSAL OF PLANT FACILITIES									1,024,053
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	9,700,137	$12,101	2,057,632	1,158,192	4,979	0	1,237,733	613,582	1,158,646

Continued next page

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1987

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):									
MANDATORY - FOR RETIREMENT OF INDEBTEDNESS							(539,000)	539,000	
VOLUNTARY TRANSFERS - RESTRICTED			23,464	(80,000)	(1,719)	(21,745)	80,000		
TOTAL TRANSFERS	0	0	23,464	(80,000)	(1,719)	(21,745)	(459,000)	539,000	0
NET INCREASE (DECREASE) IN FUND BALANCE	4,360	96,681	(19,716)	33,854	2,256	(16,335)	(11,869)	(9,817)	955,494
FUND BALANCE, BEG. OF YEAR, AS PREVIOUSLY REPORTED	(499,641)	163,478	92,795	3,609,527	400,445	183,181	1,070,361	562,650	28,669,190
MUS GROUP INS. RECLASSIFIC				(3,205,876)					
FUND BALANCE, BEG. OF YEAR AS RESTATED	(499,641)	163,478	92,795	403,651	408,445	183,181	1,070,361	562,650	28,669,190
FUND BALANCE, END OF YEAR	$(495,281)	$260,159	$73,079	$ 437,505	$410,701	$166,846	$1,058,472	$552,833	$29,624,684
FUND BALANCE CONSISTS OF:									
UNRESTRICTED - COLLEGE	$ 143,533			$ 450,171					
BUREAU OF MINES & GEOLOGY	10,994								
COMPENSATED ABSENCES	(649,808)	$(32,210)		(12,666)					
DESIGNATED		292,369			$ 80,175				
QUASI ENDOWMENT						$ 18,000			
ENDOWMENT						148,846			
RESTRICTED			73,079		330,526		$1,058,472	$552,833	
NET INVESTMENT IN PLANT									$29,624,684
TOTAL FUND BALANCES	$(495,281)	$260,159	$73,079	$ 437,505	$410,701	$166,846	$1,058,472	$552,833	$29,624,684

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1987

	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES
REVENUES:				
TUITION AND FEES	$1,788,162			
STATE APPROPRIATIONS:				
COLLEGE	6,389,994			
BUREAU OF MINES AND GEOLOGY	1,390,712			
INDIRECT COST REVENUES	91,732			
FEDERAL GRANTS & CONTRACT			$1,123,547	
STATE GRANTS & CONTRACTS			237,149	
PRIVATE GRANTS & CONTRACT			589,016	
AUXILIARY ENTERPRISES				$1,272,046
SALES AND SERVICES:				
BUREAU OF MINES AND GEOLOGY	43,897			
DESIGNATED		$608,782		
TOTAL REVENUES	9,704,497	608,782	1,949,712	1,272,046
EXPENDITURES:				
INSTRUCTIONAL	4,213,554			
ORGANIZED RESEARCH	28,516		923,336	
ACADEMIC SUPPORT	574,576		176,290	
STUDENT SERVICES AND AID	1,064,578		92,447	
OPERATION AND MAINTENANCE OF PLANT	1,325,106			
INSTITUTIONAL SUPPORT	909,122	511,311		1,156,116
SCHOLARSHIPS AND FELLOWSHIPS	373,279		757,639	
RECOVERY FROM BUREAU OF MINES AND GEOLOGY	(250,446)			
	8,238,285	511,311	1,949,712	1,156,116
INDEPENDENT OPERATIONS:				
BUREAU OF MINES & GEOLOGY	1,174,242			
SERVICES PROVIDED BY COLLEGE	250,446			
COMPENSATED ABSENCES	37,164	790		2,076
TOTAL EXPENDITURES	9,700,137	512,101	1,949,712	1,158,192
TRANSFERS, INCREASE (DECREASE):				
VOLUNTARY TRANSFERS:				
RESTRICTED			23,464	(80,000)
EXCESS OF TRANSFERS TO REVENUE OVER RESTRICTED RECEIPTS			(43,180)	
TOTAL TRANSFERS	0	0	(19,716)	(80,000)
NET INCREASE (DECREASE) IN FUND BALANCE	$ 4,360	$ 96,681	$ (19,716)	$ 33,854

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1988 AND 1987

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities.

The statements of current funds' revenues, expenditures and other changes are statements of financial activities of current funds related to the current reporting period and do not purport to present the results of operations or the net income or loss for the periods.

Fund Accounting

The accounts of the college are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed on their use.

Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements.

Montana Bureau of Mines and Geology, a separate state agency, for appropriation purposes, functions as an integral part of the college. Applicable revenues and expenditures are identified separately in the financial reports.

The common characteristics of the funds contained in the various groups are as follows:

Current Funds:

The current funds group includes economic resources expendable in performing the primary objectives of the university, i.e., instruction, research and public service. The current funds' group has two basic distinct subgroups: unrestricted funds which have no expenditure restrictions and restricted funds which have expenditure restrictions.

Unrestricted current funds are comprised of the following:

General Operating - utilized for general operations in performing the primary objectives of the college. Appropriations in the General Operating account are made by the Legislature for operating purposes of Montana College of Mineral Science and Technology. Expenditures against these appropriations are funded by corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year-end.

Designated - utilized for education and laboratorial related service activities which are self-supporting. These funds are separately classified in order to accumulate and distinguish the cost of these specialized services or function areas.

Auxiliary Enterprises - utilized in providing essential on-campus services primarily to students, faculty and staff (self-supporting).

Restricted current funds are utilized for financing current operations, but are limited by external donors and funding agencies to specific purposes, programs and departments.

Student Loan Funds:

The resources from this group of funds are available to students to aid in financing their eduction. Funds for the loans are provided by government, private, and college sources with the majority of the funds being provided by the federal government.

Endowment Funds:

Endowment funds are funds with specific donor or other outside agency restrictions limiting the expenditure of the principal. Generally, the principal is to be maintained in perpetuity and invested for the purpose of producing income.

Plant Funds:

Plant funds are separated into three distinct self-balancing subgroup accounts:

Unexpended Plant - utilized for long-term institutional assets and for institutional asset maintenance.

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost of long-term institutional assets and related liabilities and equity.

Agency Funds:

Agency funds - incudes assets held by the institution as a custodian or fiscal agent for other organizations or individuals.

Inventories:

Inventories, which consist mainly of bookstore supplies, are valued at cost (first-in/first-out method).

Plant and Equipment:

Equipment acquired with restricted grants and contracts are recorded as addition to investment in plant at the time of purchase. On certain grants and contracts, title to equipment purchased is vested with the grantor or contractor until completion of the project at which time the equipment may revert to the college.

Capital additions funded directly by the state and federal government during the year ended June 30, 1988 are recorded as additions to investment in plant.

Depreciation of plant facilities is not recorded.

Unearned Tuition and Fees:

Summer school tuition and fee revenues and related expenses are deferred at June 30 and recorded as revenue and expense in the succeeding fiscal year.

Retirement Plans:

Eligible employees of the Montana College of Mineral Science and Technology are members of the Montana Public Employees' Retirement System or Montana Teachers' Retirement System. The college's contribution to the plans totaled $456,886 for the year ended June 30, 1988 and $466,060 for the year ended June 30, 1987. At July 1, 1988 the Public Employees' Retirement System, and at July 1, 1987, the Teachers' Retirement System were determined to be actuarially sound as reported by the systems' actuary. The unfunded past service costs and the actuarially computed value of the vested benefits are not readily available for members of the plans employed by the college.

During fiscal year 1988, the TIAA-CREF optional retirement plan was made available to contract faculty and certain professional administrative employees. The college's contribution to the plan totaled $5,906 for the year ended June 30, 1988.

Statewide Budgeting and Accounting System:

The balance sheet, statement of changes in fund balances and statement of current funds' revenues, expenditures and other changes have been prepared in accordance with generally accepted accounting principles; consequently, these reports may differ from the financial information recorded in the Statewide Budgeting and Accounting System.

NOTE 2 - INVESTMENTS

Investments at June 30, 1988 consisted of the following:

	1988
Montana Short-term Investment Pool (STIP)	$ 717,714
First Bank Trustee Account	1,200,400
	$1,918,114

Investments are carried at cost which approximate market value at June 30, 1988. The investments are insured and are held by the state or its agent for the college.

The investments at June 30, 1988 are owned by the following funds:

	1988
Designated Funds	$ 78,100
Restricted Funds	132,000
Auxiliaries Fund	50,800
Student Loan Fund	115,600
Endowment Fund	176,400
Agency Fund	57,614
Unexpended Plant Fund	707,200
Retirement of Indebtedness Plant Fund	600,400
	$1,918,114

NOTE 3 - BONDS PAYABLE

At June 30, 1988, bonds payable are Facilities Refunding Revenue Bonds, Series A 1986 with a balance outstanding of $6,500,000.

The proceeds of the bonds, together with certain funds and monies of the College and certain proceeds of Bonds refunded by the Series A 1986 Bonds, provided funds for the construction, renovation, equipment and improvement of certain facilities at and for Montana College of Mineral Science and Technology, for refunding certain outstanding indebtedness of the Board of Regents of Higher Education issued for or incurred by Montana College of Mineral Science and Technology, for paying the costs of issuance of the Series A 1986 Bonds and for funding the debt services reserve requirement for the Series A 1986 Bonds and for funding part of the repair and replacement requirement for the Income Facilities.

The Facilities Refunding Revenue Bonds, Series A 1986 indenture provides, among other things, that the College will maintain revenues to meet required annual principal and interest payments and annual operation and maintenance expense, that the College will maintain a bond and interest sinking fund account and repair and replacement reserve account, provide audited financial statements of the College to the trustee within a specified period of time as well as to any requesting bondholders, and pledge and appropriate all moneys received by the College from income facilities, student building fees, land grant income, the Federal Debt Service Grant received by the College and investment income from the funds for the retirement of bonds payable.

The principal amounts of the bonds mature on November 15th of varying years with varying interest rates as follows:

MATURITY (November 15)	PRINCIPAL AMOUNTS MATURING	INTEREST (PER ANNUM)
1988	120,000	5.50%
1989	125,000	6.00%
1990	135,000	6.20%
1991	145,000	6.35%
1992-2009	5,975,000	6.50-7.625%
	$6,500,000	

NOTE 4 - LAND GRANT STATUS

The congress of the United States, by the enabling act approved February 22, 1889, granted to the State of Montana 100,000 acres for the college and provided that all monies received from the sale of land belonging to this grant, together with proceeds from the sale of timber, oil royalties and other minerals, should be credited to a permanent fund for each of the land grant institutions. These monies are currently pledged to the Series A 1986 revenue bonds. It also provided that permanent funds could not be used for any other purpose and must remain forever inviolate as the property of each of the land grant funds.

The college's land grant assets are not reflected in these financial statements, but are shown in the Montana Department of Land's financial statements.

NOTE 5 - MUS GROUP INSURANCE PLAN

Beginning in fiscal year 1984-85, the auxiliary enterprise fund includes activity for the Montana University System Group Insurance Plan. In June, 1984 the Board of Regents authorized (Item 43-901-R0684) establishment of a partially self-insured group insurance plan for Montana University System employees including all authorized affiliated group employees. The Board item stated that the plan will be administered as an auxiliary enterprise account utilizing the accounting system of Montana College of Mineral Science and Technology.

In June, 1986 the Board of Regents rescinded Board Item 43-901-R0684. The plan is no longer administered by Montana College of Mineral Science and Technology. The plan is being administered by the Office of the Commissioner of Higher Education as an enterprise fund in the state fund structure.

The beginning fiscal year 1987 fund balance in the current funds auxiliaries section has been restated to reflect the $3,205,876 MUS Group Insurance Reclassification.

NOTE 6 - COMPENSATED ABSENCES

On July 1, 1982, the college started accounting for unused vacation and sick leave in accordance with the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. Permanent employees can accumulate and carry to the following calendar year two times the maximum number of vacation days earned annually. Unused vacation leave is paid at full value to employees upon

termination. Upon termination, unused sick leave earned since July 1, 1971, is paid to the employee at 25% value.

The accumulated fund balance for compensated absences totaled $680,438 for the year ended June 30, 1988.

NOTE 7 - NOTES PAYABLE

A note payable is due Pacificcorp Capital for the purchase of digital computer equipment. It is payable in monthly payments of $7,009, including interest, to June 1991. Minimum principal payments for the next two fiscal years are: fiscal year 1990, $67,137; and fiscal year 1991, $63,182.

A note payable is due Xerox Corp for the purchase of Xerox copying equipment. It is payable in monthly payments of $1,196 including interest, to June 1993. Minimum principal payments for the next two fiscal years are: fiscal year 1990, $11,939; and fiscal year 1991, $11,939.

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCES
JUNE 30, 1988

	CURRENT FUNDS	PLANT FUNDS	
	Pledged Auxiliaries	Unexpended	Retirement of Indebtedness
ASSETS			
Cash on deposit	$ 7,480	$ 5,637	$ 732
Accounts and interest receivable	48,139	146,263	17,420
Transfers to Construction Account		28,263	
Investments:			
Held by trustees		600,000	600,400
State of Montana short-term investment plan		78,200	
Total investments	0	678,200	600,400
Other Assets:			
Prepaid Expenses	127		
Inventories	362,330		
Total other assets	362,457	0	0
Due from (to) other funds	18,052	(40,639)	
Total assets	$436,128	$817,724	$618,552
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 15,678	$ 4,430	$ 60,000
Other liabilities and deposits	12,600		
Unearned revenues		7,476	
Total liabilities	28,278	11,906	60,000
Fund Balances	407,850	805,818	558,552
Total liabilities and fund balances	$436,128	$817,724	$618,552

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1988

	CURRENT FUNDS	PLANT FUNDS	
	Pledged Auxiliaries	Unexpended	Retirement of Indebtedness
Revenues and other additions:			
Unrestricted fund revenues	$1,228,657		
Land grant income		$453,839	
Restricted student fees		125,165	
Federal capital contributions			$ 22,938
Investment income		67,373	47,937
Other income		8,517	
Total revenues and other additions	1,228,657	654,894	70,875
Expenditures and other deductions:			
General expenditures	1,140,683		
Capital expenditures	6,778		
Expended for plant facilities		337,395	
Retirement of indebtedness			115,000
Interest of indebtedness			480,261
Total expenditures and other deductions	1,147,461	337,395	595,261
Net revenue over (under) expenditures	81,196	317,499	(524,386)
Transfers among funds- Additions (deductions) for retirement of indebtedness	(80,000)	(450,105)	530,105
Net increase (decrease) in fund balance	1,196	(132,606)	5,719
Fund balance, beginning of year	406,654	938,424	552,833
Fund balance, end of year	$ 407,850	$805,818	$558,552

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
FACILITIES REFUNDING REVENUE BONDS, SERIES A 1986

SCHEDULE OF CURRENT FUNDS' REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1988

	Pledged Auxiliaries	
Revenues:		
Sales and Service	$629,969	
Board and Room	562,549	
Tuition and Fees	35,176	
Other Income	963	
Total Revenues		$1,228,657
Expenditures:		
Cost of Goods Sold	464,886	
Personal Services	215,814	
Operating Expenses	459,981	
Equipment	6,780	
Total Expenditures		1,147,461
Revenues in Excess of Expenditures		$ 81,196

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
SCHEDULE OF FULL-TIME EQUIVALENT (FTE) STUDENTS
FOR THE TWO FISCAL YEARS ENDING JUNE 30, 1988

Semester	Year	Undergraduate FTEs Reported[1]	Graduate FTEs Reported[2]	Total FTEs Reported
Summer	1986	118	2	120
Fall	1986	1,497	39	1,536
Spring	1987	1,431	58	1,489
Summer	1987	149	5	154
Fall	1987	1,461	55	1,516
Spring	1988	1,431	62	1,493

[1] Undergraduate semester credit hours divided by 15.

[2] Graduate semester credit hours divided by 12.

COLLEGE'S RESPONSE

MONTANA TECH
Butte, Montana 59701
(406) 496-4101

RECEIVED
1989
Montana Legislative Auditor

May 3, 1989

Mr. Scott A. Seacat
Office of the Legislative Auditor
Helena, MT 59620

Dear Mr. Seacat:

Enclosed is our written response to your report on the audit of Montana Tech for the two fiscal years ending June 30, 1988.

On behalf of the staff and the administration, I would like to thank you and your representatives for your cooperation and professionalism in conducting this audit.

Sincerely,

John C. Badovinac
Controller/Business Manager

JCB:ld
Enclosure

MONTANA TECH AUDIT REPLY

RECOMMENDATION #1

WE RECOMMEND THE COLLEGE USE THE CONTINGENT REVOLVING ACCOUNT IN COMPLIANCE WITH STATE POLICY.

RESPONSE:

Concur. Montana Tech will work with the Department of Administration on the questionable uses of the revolving account and distribute a written policy outlining when payment from the CRF will be permitted.

RECOMMENDATION #2

WE RECOMMEND THE COLLEGE:

A. COMPLY WITH STATE LAW AND NOTIFY THE SURPLUS PROPERTY BUREAU PRIOR TO DISPOSAL OF STATE PROPERTY.

B. ESTABLISH PROCEDURES TO ENSURE THE BUSINESS OFFICE IS NOTIFIED OF ITEMS READY FOR DISPOSAL.

RESPONSE:

Concur. The college, through the Business Office, will properly document transactions when complying with state law upon notifying the Surplus Property Bureau prior to disposal of state property.